



Is Increase in Price of Accident and Emergency Service (AES) a Good Method?



Introduction

Recently, we have noticed that there is a great discussion on one of the public welfares---- the accident and emergency fee issues. The public is of high concern about the problem of long waiting times for the hospital emergency service. On the December 2016, The Hospital Authority have suggested raising the fee for Accident and emergency services (AES) from HK\$100 to HK\$220 in an effort to maintain the proportion of government subsidy at 82%, which was set in 2003("Raising accident and," 2016).

Methodology

Data analysis was used to understand the effectiveness of the increase in Accident and Emergency Services (AES) price such as the affordability of citizens and the reduction in burden of government. Application of economics concept were used to study and determine whether the increase in price is a good method. We will assess the effectiveness of proposed policy from the below three aspects.

1st Aspect : Citizens' affordability

➤ Compare the ratio of Accident and Emergency Services (AES) price (before and after amendment) to the household income median in 2002 to that of 2016

-According to the above calculation, the ratio in 2002 is smaller than that in 2016 regardless of the household size=> implies that the increase in price has significant effect on households' affordability

-have the most significant effect on small household size families (the percentage change of the proportion in 14 years of 2-member size households is the highest among all household sizes)

2002 (forth quarter) household income median	2016 (forth quarter) household income median	proportion of AES price(\$100) to household income median in 2002	proportion of proposed AES price(\$220) to household income median in 2016	the percentage change of the proportion in 14 years
\$HKd	\$HKd	%	%	%
6000	8500	1.666666667	2.588235294	55.29411765
13600	19000	0.735294118	1.157894737	57.47368421
18000	30000	0.555555556	0.733333333	32
20000	38000	0.5	0.578947368	15.78947368
20500	39000	0.487804878	0.564102564	15.64102564
23300	43500	0.429184549	0.505747126	17.83908046
16400	25000	0.609756098	0.88	44.32

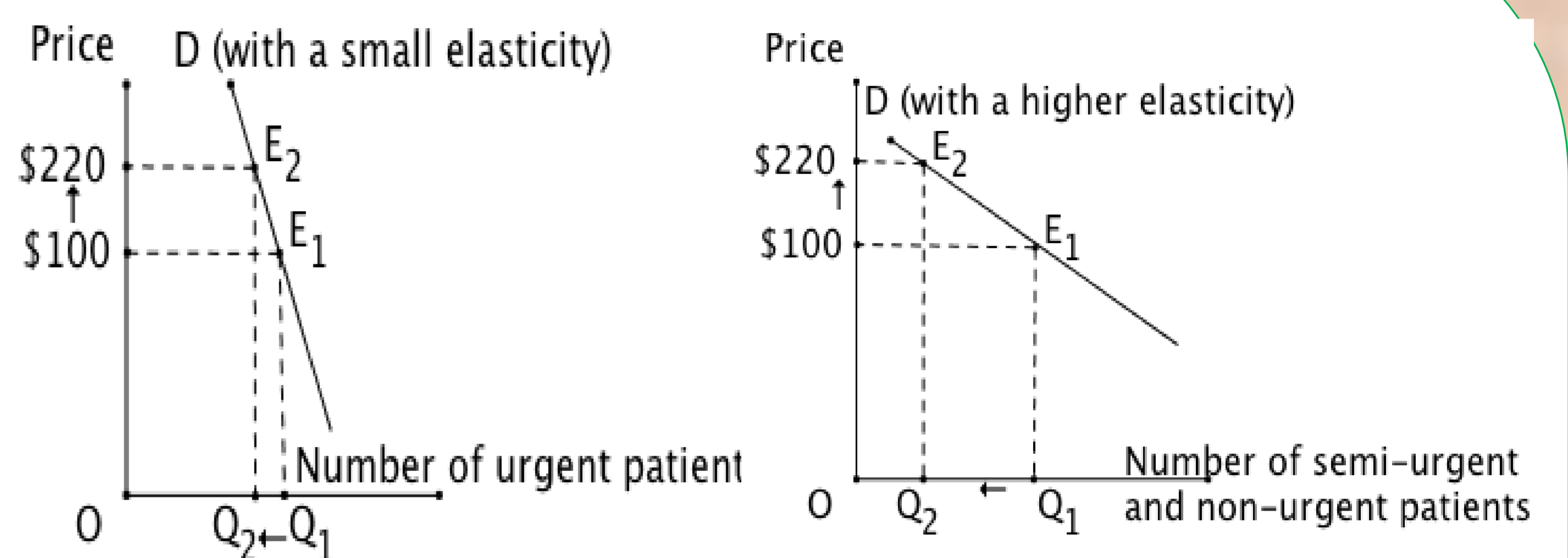
➤ Compare the increase in the price level in 2002 to 2016 to the rate of the increase of proposed Accident and Emergency Services (AES) price=> to check if the proposed price matches with the inflation rate within these 14 years

-the inflation rate within these 14 years is 38.216%

-the rate of increase of proposed AES is 120%=>a third of the increase in price level over these 14 years=>uplift in price is unreasonable

the price level in 2002	the price level in 2016	the percent age change	the original price of AES	the proposed price of AES	the percent age change
75.1	103.8	38.216%	\$100	\$220	120%

2nd Aspect: The Effectiveness in Relieving the Excess Demand Problem



65% of patients ----semi-urgent and non-urgent patients with more elastic demand,
The remaining 35% ---- urgent parents with less elastic demand.

The demand for Accident and Emergency Services (AES) for semi-urgent and non-urgent patients are more elastic than that for the urgent patients as the former have more available time to search for substitutes (i.e. private medical services) than the latter according to the second law of demand.

- drop the number of semi-urgent and non-urgent patients by a larger proportion.

- drop the number of urgent patients by a smaller proportion.

3rd Aspect: The Burden of Government

Year	The charge of Accident and Emergency Services (AES)	The medical cost of each patient	The burden of the Government to the total cost(%)
before 2002	\$0	\$ /	100%
2002-now	\$100	\$550	82%
2017(in case the Government charges \$220)	\$220	\$1300	83.1%

- Maintain the ratio of the burden of the Government to 82-83%

-do not make the finance of the government worse from the real side

Conclusion

To sum up, increase in Price of Accident and Emergency Service (AES) is an effective method.

-Firstly, the raise of price to \$220 of the AES is enough and effective. Undoubtedly, according to the data analysis, it may not be affordable to the citizens especially the grassroots class, however, as the increase in price of AES has significant effect on households' affordability, their willingness to AES will decrease. So the public would try to shift themselves to other cheaper and convenient substitutes such as clinic.

-Secondly, the main reason of AES abuse problem comes from the semi-urgent and non-urgent patients, the percentage change of the AES can definitely fall the number of semi-urgent and non-urgent patients which face an elastic demand to the price, So increasing the price can reduce the number of patients and maintain the quality of the service.

-Thirdly, the percentage change of the AES can solve the finance burden of the medical costs and maintain the ratio of the burden of the Government to 82-83%.

-However, increasing the price of AES would increase the finance burden of the lower-income people, so the government may create a new fund for the lower-income and encourage them to use the service of the private hospitals.